advantage, is a positive disadvantage, since a large portion of the cost of transportation, as well as of the duties which other nations choose to levy, has to be paid by the English manufacturer. If England could be supplied with land and other natural resources like ours, she would very soon either discontinue many of her manufactures, or charge a much higher price for them. Would she thus become the poorer? No more so than the laborer who would sell his spade at auction after coming into a fortune.

For the reasons we have given, we earnestly hope the efforts of our national legislature will be given with unabated energy to the rapid extinction of our national debt, with the certainty that the wealth of the country will thereby be increased in the only way within the control of government.

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6. — *The Science of Wealth: a Manual of Political Economy, embracing the Laws of Trade, Currency, and Finance.* By Amasa Walker, Lecturer on Political Economy in Amherst College. Boston: Little, Brown, & Co. 1866. 12mo. pp. xxx., 478.

The author of this volume has made a valuable addition to the American literature of Political Economy. While he gives a fair share of attention to all the topics which the American reader needs to understand, in order to apply the science to the actual affairs of his country, he discusses the subject of the currency with such fulness and ability as to entitle his work to a foremost place among the many volumes which economical science, especially in Europe, has recently contributed to that subject. There is at this moment no branch of political economy which so engrosses the European mind as that of currency and banking. For more than two years past, a most animated, if not bitter, controversy has been waging in France between the advocates of the monopoly now enjoyed by the Bank of France in the issue of representative money, and the more radical school of economists, who seek to apply their favorite principle of commercial free trade to the creation of currency, as well as to all the other functions of banking. The controversy grew out of an attempt to erect the Bank of Savoy — an institution which, before the annexation of that Italian province to France, enjoyed the privilege of issuing paper money — into a rival of the Bank of France, which, under the laws of the Empire, enjoys the sole privilege of issue. The managers of the Credit Mobilier, Messrs. Émile and Isaac Pereire, who are, without doubt, among the ablest financiers of France, aided by their

co-director, Michel Chevalier, who, besides being an economist of high authority, is also a Senator of the Empire and an influential courtier, are the representatives of the no-monopoly party; while M. Louis Wolowski, lately President of the Academy of Moral and Political Sciences, and the founder of the Credit Foncier, leads the defence on the part of the government and of the Bank, after the discomfiture of the Savoy party before the courts and the legislative assembly. An imperial commission has been appointed, which for nearly two years has taken testimony on the points of dispute, covering the whole field of currency, banking, and organizations of credit. Outside of the commission, the press has groaned under the contributions which have poured in from writers of all shades of opinion and degrees of influence. The volumes treating of the subject published since 1864 are very numerous.

While such is the state of the currency question in France, events have brought it into nearly equal prominence in England. The Bank Act of 1844, the financial Magna Charta of Great Britain, has been for a third time suspended by reason of the crisis which began with the failure of Overend, Gurney, and Company in May, and continued to disturb the tranquillity of Lombard Street during the entire summer. If the administration of Lord Russell had not been so busy with the cattle plague and reform, the currency question must inevitably have been discussed early in the last session. Such was the expectation of statesmen and bankers before Parliament assembled. As it happened, the subject slept till the rude awakening of the panic, and then it occupied only a passing attention amid the heated debates which were bringing one ministry to a close and putting another in its place. When the crisis was over, and the discomfited Liberals were trying to forget their defeat in plans for the early shooting, — about the 1st of August, — the Bank question came up in the House of Commons, and the accomplished Sir Stafford Northcote on the side of the government, (who should have been Chancellor of the Exchequer, if he had been enough of a politician, and there had been any other place for Mr. D'Israeli,) and the veteran Mr. Hubbard on the side of the Bank, discharged the arrows with which their quivers are always filled in readiness for such an occasion. From this debate it seems probable that the currency question will come up in the approaching Parliamentary session, if it is not again overshadowed by the pressing and formidable question of the suffrage.

If we turn now to our own country, we shall find no subject so agitating the minds of the people as that of the currency. The broader questions of financial policy which are supposed to disturb the sleep of

the Secretary of the Treasury — such as the funding of the seven-thirties, and the providing for the nation's other maturing debts — are of far less concern to the mass of the people than that of contracting the currency, by which an effect on prices will be accomplished, which is matter of hope or fear to every citizen of the Republic.

Mr. Walker has done well, therefore, to give us at this time the results of his life-long study into the characteristics and functions of money. He is not a new master in this field. He published, after the crisis of 1857, a pamphlet on "The Nature and Uses of Money and Mixed Currency," in which the doctrines of the present volume are foreshadowed; and he has been a frequent contributor to the Merchants' and the Bankers' Magazines on subjects of a kindred nature.

He is a "Bullionist"; not in the English sense, which applies that title to the supporters of the celebrated Bullion Report of 1810, but in the American acceptation, which gave to the late Mr. Benton the *sobriquet* of "Old Bullion." He believes in hard money only, rejecting not merely our present delusive currency of greenbacks, but the mixed bank currency, whether of the State or national system, as well. It is, however, but justice to say, that, emulating the wisdom of the English reformers, who take all they can get without relaxing their demand for the whole, Mr. Walker has, as a practical legislator, supported every measure designed to bring the mixed currency of the country nearer to the specie standard. He was a member of the Bank Committee in the Massachusetts Legislature of 1858, and did much to promote the passage of the law which, for the first time, required the banks to maintain a specific specie reserve.

In thus reviving the old Democratic doctrine of a specie currency, — the doctrine which destroyed the United States Bank, and established the Independent Subtreasury system in its stead, — Mr. Walker is not without the support of some very intelligent thinkers. The scheme of a bullion bank was a good deal discussed in New York after the crisis of 1857; and though its advocates are so small a body as not yet to have obtained a general hearing, they are imbued with so much faith and earnestness, that, if they do not accomplish their full desires, they can hardly fail to exercise a useful influence in giving to the mixed currency, which we hope some time again to enjoy, more of solidity and base than it has ever yet had. In Europe the opinion is certainly gaining ground, that the credit element in a mixed currency is one of extreme danger and difficulty. Two French writers, M. Juglar and M. Laveleye,* have demonstrated that, though commercial crises have their

* Des Crises Commerciales et de leur Retour Périodique en France, en Angle-

origin in an undue absorption of capital and overstraining of credit, they have been uniformly aggravated by an unsound management of the circulation, and by its connection with the other operations of discount and deposit banking. Let the cause of the crisis be what it may, it always imperils the banks as issuers of paper money; — in this country, by compelling them to redeem their notes in specie; in England, by draining them of notes which they cannot replace for the want of specie. The action on the public is the same in both countries. Debts due to the banks are summarily called in, and new discounts refused, and merchants are driven to failure, because, under a system which ordinarily furnishes an abundance of ready capital on approved credit, even the richest merchants do not keep money by them to pay all their maturing debts. If not ordinarily borrowers, they rely upon the debts due them to pay those which they owe; and if this resource fails, they expect accommodation at the banks, but the banks, having to protect their circulation, cannot discount. What, then, can the merchants do but fail, for they cannot long pay both sides of the bill-book? Nor is this the worst of it; for after putting a ruinous pressure on their customers, the banks always end by failing themselves, that is, by suspending specie payments. In this country there is no penalty for such failures, or where there is it is not exacted, for banks are necessary to trade, and the suffering public cannot do without them.

Now, so far as these things are the result of paper-money banking, they are a great evil, and criticism should not cease till a remedy be found for them. Such a remedy can only be found in restricting the issues of paper money on credit, or, it may be, by forbidding the use of it altogether. The most enlightened nations have generally adopted the former course, by legislating for certain specie reserves, or by putting artificial limits to the amount of paper which may be issued. Of this nature are the limitations of the English Bank Act of 1844, the Louisiana Act of 1842, and the Federal banking law now in force. The restrictions imposed by these statutes are unquestionably wholesome; but whether something more radical is not needed is still an open question. Mr. Walker says all systems of mixed currency are failures, and that credit has no place in the currency. So, too, says M. Cernuschi, an Italian publicist domesticated in France, who, in his recent book entitled *Mé-*

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terre et aux États-Unis. Par le Dr. Clément Juglar, Membre de Société d'Économie Politique et Statistique de Paris. Ouvage couronné par l'Institut. Paris: Guillaumin. 1862.

Le Marché Monétaire et ses Crises depuis Cinquante Ans. Par M. Émile de Laveleye, Professeur d'Économie Politique à l'Université de Liége. Paris: Guillaumin. 1865.

canique de l'Échange, debates the question on the side of hard money with such ability as to have won the applause, if not the suffrages, of Paris.

One of the most eminent of the French economists, whose name is an authority on the subject of banking, avowed to the writer that, after reading the treatises of Laveleye and Cernuschi, he inclined strongly to the opinion that we must come to hard money at last. And an English statesman, not less distinguished for his acquaintance with the theory and practice of banking, expressed a doubt whether the interest on fourteen millions sterling — the amount which the Bank of England is authorized to issue on the basis of public stocks, and not of bullion — was an adequate compensation for the anxiety and loss which the management of the circulation involved.

If, as Mr. Walker endeavors to show, the mixed currency of this country has always been, and will again be after we return to specie payments, even in the best of times, sensibly less valuable than the best currencies of Europe, by reason of its expansive influence on prices, and if, in addition to this constant disadvantage, it entails upon the people great occasional losses in times of crisis, by stopping the wheels of business, and compelling great sacrifices of property, then it is clear that the saving supposed to be effected by the use of credit-money instead of gold is a most wasteful sort of economy. What does that saving really amount to? Taking the future currency at three hundred millions, the limit fixed by the national banking law, — and this is for the present quite enough for a people which never, on a specie basis, used more than two hundred millions, — the amount of specie actually required to be kept will be about twenty per cent, or sixty millions. Two hundred and forty millions of the currency will therefore be paper, based on credit and not on gold. The interest of this sum at six per cent is $14,400,000. The population of the United States is in the neighborhood of thirty-five millions, and the rate of annual production has been ascertained to be $112 a head. This would give an annual production to the country of nearly four thousand millions. The cost of maintaining a purely metallic currency would be, then, about forty cents a head of the population, or about three eighths of one per cent on the individual and aggregate production. An average contribution of thirty-seven and a half cents a year for every man, woman, and child in the Union would, therefore, give us a currency which is admitted to be the best possible, because it is of the real money of which all other currencies are more or less the credit representatives. Now if there is any loss involved in the use of a mixed currency, — if it does in any marked degree inflate prices, — if, without being primarily responsible for com-

mercial crises, it at all aggravates them when they occur, — if it produces unnatural extremes in the circulating medium, causing a sort of fever and ague in business, — if any of these evils which are usually attributed to it are fairly chargeable to the use of paper money, and might be avoided under a specie currency, then the tax necessary to maintain the latter is insignificant in comparison with the burdens to be got rid of.

We have not followed Mr. Walker in his luminous presentation of this question, as it is not the purpose of this notice to review his book, but only to call attention to its leading topics, and to awaken interest in them. There is, however, one illustration of the fluctuations to which a mixed currency is subject which is worthy to be repeated. We have stated that under the national Bank Act a reserve of about twenty per cent on the entire circulation must be kept in coin, and such reserves are now regarded on all hands as of the essence of a well-regulated mixed currency. Here we have a base of 1 with a superstructure of 5. If the specie reserve loses one million, the currency of paper must be reduced five millions; if the reserve gains one million, the currency *may* be enlarged by five millions. Now, as all foreign commerce is conducted on the basis of specie, heavy shipments of gold are often necessary, and the coin must come out of the banks. If in this way the bank reserves are drawn below the legal limit, which is always possible, because they are not likely to keep much more idle capital than is required of them, a very simple incident of commerce is converted into an engine of immense contracting power over the business of the country. Foreign commerce is always acting on this base, and a slight blow there makes the whole fabric of the currency tremble. If, on the contrary, the currencies of this country and of the world were homogeneous, the loss of one million or of ten millions out of the total three hundred millions would produce a scarcely perceptible effect on business, for the market would quickly adjust itself to the two hundred and ninety-nine or two hundred and ninety which remained. Even fifty millions going out of the country would not necessarily produce a panic, as it would raise the rate of interest and lower the rate of prices to such a degree as to bring it speedily back again. The banks of Massachusetts alone contracted their circulation between the 4th of July and the 31st of October, 1857, $ 6,650,000, or more than twenty-eight per cent, some banks contracting more than fifty per cent; and this contraction caused the failure of many prudent men, thus suddenly deprived of facilities on which they had been taught to rely.

In thus presenting in strong colors the argument of the hard-money men, we are not hastily condemning the use of mixed currencies, nor

demanding that this country shall speedily come to the use of gold and silver only. In such a recommendation there would be a lack of perspective, which is one of the commonest errors in the application of the principles of political science. There is danger in sudden changes; and whatever vices are inherent in our currency, the most we can hope is to work gradually into a better system.

With great excellences, Mr. Walker's book is not without some serious faults, — faults which take from it the judicial character which ought always to belong to manuals of science, and especially to text-books for young men. Thus, in his allusions to the United States Bank, there is a manifest prejudice growing out of the old controversies of Whig and Democrat, in which the author bore a prominent part. His treatment of the national-bank system seems to us still less excusable. The purpose would seem to be to excite prejudice, and not to convict by facts or argument. Thus, on pages 237 and 238, he gives the earnings of the banks for the year 1865 as twenty per cent on their capital; but he has taken the *gross* income only, and that at a very high estimate, quite ignoring the expenses and taxes. Now it is perfectly well known to all bank managers and stockholders that this estimate is much too high. But his estimate for 1866 is still more so. "It is estimated," he says, "that the *net* earnings of the banks for 1866 will be twenty-five per cent." The estimate is wholly without foundation. We do not believe that the earnings will, on the average, much exceed half that rate. For an old and experienced man of business like Mr. Walker, such negligence of statement is quite inexcusable. Nor in the seven meagre pages devoted to the national system is there anything to redeem it. We shall not here enter upon a defence of that system further than to say that we regard it as greatly superior to all the State systems which it superseded, because it is national, and not local; and, while it is as good as the best of them, — as that of Massachusetts, or of New York, or of Louisiana, — on most of them it is intrinsically a vast gain.

If American economists, like Mr. Walker, can thus blind themselves to the advantages which this system possesses over the old ones, foreigners have shown themselves capable of a juster estimate. The London Economist, than which there is no higher financial authority in Europe, after reviewing the national-bank system, and presenting a synopsis of the accounts of 1865, says: "If we analyze these accounts, it is evident that they evince amazing solidity. Perhaps no banks in the world, on the same scale, show as much. The American banks hold, in mere cash, twenty-five per cent of their liabilities, when thrown together: if the English banks were thrown

together, we doubt if they would hold five per cent.* But even this comparison does not fully bring out the true solidity of the American banks, when measured by English examples Our bankers say, 'It is true we do not keep much cash; but we keep at call, and in government securities, a very considerable sum.' Let us then look at the government securities of the American banks. They hold cash, £42,000,000; government securities, £85,000,000; remittances and other cash items, £14,000,000: total, £141,000,000, — whereas their liabilities are but just upon £160,000,000. That a bank should have, either in government security or in cash, fourteen sixteenths of its liabilities, is to an Englishman perfectly astounding. An English bank which holds two fifths considers itself an example of caution; and many of the best banks in the country hold a proportion very much smaller." After remarking also upon the very moderate amount of the loans as compared to capital, (being, in fact, only fourteen per cent in excess of it,) the writer concludes with these words: "We find that the banks of America are in a very sound state; we find that they have a larger available reserve against their liabilities than any European banks; we find that they depend far more on their own .capital, which cannot be withdrawn from them, than any European banks. The inference is plain. A nation in which the banks are so sound is particularly unlikely to suffer from a collapse of credit. In former times — in 1837 and 1857 — the State banks of America kept very small reserves, and failed by wholesale; but this is not the case with the new national banks. If America were now subjected to the difficulties of 1837 and 1857, probably her banks would be able to resist the strain."

Another singular instance of misapprehension or loose statement occurs at the bottom of page 234, where, in speaking of the obligation to keep a specie reserve, the author says: "But this provision in regard to the national banks is practically, to a great extent, only a nominal matter, because the law provides that bank balances and *clearing-house ccrtificates* shall be deemed to be lawful money." But clearing-house certificates are to all intents and purposes lawful money, and as near to cash as it is possible for any paper representative to be. They are merely certificates of gold deposited with the bank which acts as the agent of the clearing-house, and are therefore precisely such a currency as Mr. Walker proposes to have under his scheme of a "mercantile currency," each dollar of paper having a dollar of gold behind it.

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* The provincial banks of England and the great joint-stock banks of London hold very little cash compared with their liabilities. They all depend on the reserves of the Bank of England, which, though large for the security of its own indebtedness, are very small as the reserve of a great kingdom.

As a practical matter, the reform of the currency should proceed in this order. We must first return to specie payments, which is not to be accomplished by any hocus-pocus, but by the process of steady and constant contraction. The Secretary of the Treasury is generally sound in his financial views, but he is wrong when he encourages the idea that specie payments can be resumed and kept up without much reducing the volume of the greenbacks. So long as the sun rises in the east, so long will natural laws assert themselves; and these laws have a place in the economy of nations as well as in the natural world. The value of the currency fell when it was issued in such quantities that it could no longer be exchanged for specie, and the equilibrium of price cannot be restored till the equilibrium in quantity is first attained. The question as to the value of the currency is not one of national honor nor credit nor confidence, nor of ultimate security: it is a question of the relation of present demand to present supply, — a relation which fixes the price of currencies as much as the price of butter; and when we say demand, we mean legitimate want, for there is a feverish craving which results from a depreciated currency, much like the thirst which is produced by alcoholic beverages. When the currency is so reduced that specie payments can be resumed and maintained, then the path of reform will become more difficult, because it is hard to persuade mankind that a currency which they can *ordinarily* exchange for gold (when they want gold, which is seldom) is of less intrinsic value than that metal. It will be enough for the reformer if he can prove that it is not *always* as good as gold. If he can show that it regularly breaks down in a given series of years, it needs very little arithmetic to demonstrate the burden of it.

If a further reform is to be had, it should begin by abolishing small bills, — first those under five, and afterwards those under ten, and perhaps under twenty dollars. We shall then approach the English and French standards, under which the smallest notes represent a value of twenty-five dollars. When this has been accomplished, we shall probably be ready to enter into a financial congress with other civilized nations, and to determine whether all credit shall be abolished from the circulating medium. Then, with a common decimal coinage and a universal metric system of weights and measures, we shall be prepared to consider the applicability of free trade to the then existing condition of our country.

The limits of this notice will not permit us to follow Mr. Walker into the other departments of political economy. He is a free-trader as well as a bullionist. The arguments for free-trade which he brings forward are the usual ones adopted by the free-traders of Great Britain.

Here, again, we think he shows a want of perspective. He draws his reasoning from a national experience very different from our own. In its voyage across the Atlantic, free-trade, like some light wines, loses much of its flavor. The question is not one of principles, but of applications. Free-trade is doubtless a tendency of civilization; but so also are homogeneous political and social institutions. We have at this moment perfect free-trade in the United States, and that over a territory vastly greater than that controlled by Great Britain. We, and not England, are the great free-traders of the world, and we practise free-trade under conditions on which it is alone possible with perfect equality and justice to all concerned. With a territory ample enough to furnish most of the needed natural products, with a population large enough to consume the bulk of our productions on our own soil, and with a political society in which the laborer is a citizen to be educated and respected, and not a machine to be worn out and driven from the parish, with great and increasing facilities for intercourse and exchange over a continent, we are in a position to practise the truest commercial freedom, without putting those advantages which we believe are peculiarly our own into common stock with the evils which belong to unwise and effete social and political systems.

7.— *The Albert Nyanza, Great Basin of the Nile, and Explorations of the Nile Sources.* By SAMUEL WHITE BAKER. With Maps, &c. London and Philadelphia. 1866. 8vo. pp. xxvi., 509.

As the last, in some respects the most important, and certainly the most entertaining volume on the discovery of the Nile, the recent narrative of Mr. Baker demands a fuller notice than we have been able to give to the other works of a similar character referred to in our article on the Sources of the Nile.

The great discovery of a second equatorial lake, from which the Nile is fed, has been already briefly described, but there are many other incidents of Baker's expedition, which are well worth attention. His observations on the character and habits of the rude aborigines through whose dominions he passed are especially curious and instructive. Probably the known world does not contain tribes of a lower grade, more nearly allied to ignorant brutes, than some of the people with whom he came in contact.

Mr. Baker, now Sir Samuel W. Baker (so entitled because of his great discoveries), is an English engineer, whose life has been full of adventure and exploits in various portions of the globe. Eight years